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December 5, 2000

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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BY HAND

Magalie Roman Salas, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Room TW-A325
Washington, D.C. 20554

Re: *Ex Parte Presentation*
In the Matter of Provision of Directory Listing Information Under the Telecommunications Act of 1934, As Amended, CC Docket No. 99-273

Dear Ms. Salas:

On December 4, 2000, Peter Meyer, CEO of Telegate, Inc. ("Telegate"), Ruth Milkman and I met with Yog Varma, Charles Keller, Gregory Cooke, and Dennis Johnson of the Federal Communications Commission 's Common Carrier Bureau to discuss the above-referenced proceeding.

During the meeting, we reviewed issues associated with implementing Telegate's 411 presubscription proposal. A copy of the presentation we used during the meeting is included with this submission. It provides a summary of the key points raised in our discussion.

Pursuant to section 1.1206(b)(1) of the Commission's rules, 47 C.F.R. §1.1206(b)(1), an original and one copy of this letter are being provided to you for inclusion in the public record of the above-referenced proceeding.

Sincerely,

Val Yates

Valerie Yates

Enclosure

cc: Yog Varma
Charles Keller
Gregory Cooke
Dennis Johnson

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Presubscription to 411: Implementation Issues

Presentation by Telegate Inc.

December 4, 2000

Overview

- Slamming
- Costs
- Cost Recovery
- Logistics

FCC Should Seek Comment on the Incentives for Slamming in DA Context

- DA and long distance have different cost structures
- LD – fixed costs of network provide incentive to sell as many minutes as possible
- DA – significant variable costs to provide operator services. Establishing a call center and DA database requires a big investment
- Profitability for LD providers depends on maximizing minutes of use
- Profitability for DA providers depends on providing high-quality and value-added services to establish and sustain long-term customer relationships

FCC Should Seek Comment on Use of Proven Safeguards to Deter Slamming

- Choice of Methods for Authorization and Verification of LOAs (Written, Internet, Electronic, 3rd Party Verification)
- Absolve Subscribers of Liability for 30 Day Period After the Unauthorized Change
- Apply FCC Form 499-A Registration Requirement to DA Providers
- Preferred DA Provider Freeze
- Branding

Choice of Slamming Safeguards Should Reflect Concerns Arising in DA Context

- Identify the likely source(s) of slamming:
  - National v. fly-by-night companies
  - Resellers
  - Telemarketers
- Determine whether costs of particular safeguards exceed the benefits

FCC Should Seek Comment on Potential Costs of Implementing 411 Presubscription

- Network upgrade costs
- Customer support functions
  - Modifications to order processing and billing systems
  - Training customer service representatives to request that customers identify a carrier during sign-up process
- Customer-specific costs will depend on whether FCC adopts certain requirements, *e.g.* billing inserts and/or balloting and allocation

FCC Should Seek Comment on Applying LNP Cost Recovery Standards

- Competitive neutrality
  - All customers will benefit from 411 presubscription – competition, increased choice, greater innovation
  - Requiring customers who switch DA providers or new entrants to bear all associated costs will deter competition

Like LNP, FCC Should Seek Comment on Limiting Recovery to Incremental Costs of Implementing 411 Presubscription

- Carrier-specific costs directly related to providing 411 Presubscription
- Shared costs
  - Costs incurred by the industry as a whole, such as those incurred to build, operate and maintain the database needed to provide 411 Presubscription
  - Allocate to specific carriers and treat as carrier-specific costs directly related to providing 411 Presubscription
- Carrier-specific costs <u>not</u> directly related to providing 411 presubscription
  - Some component of the costs will provide unrelated benefits
  - In LNP context, such costs are not subject to competitively neutral LNP cost recovery mechanisms

Carrier-Specific Costs Directly Related to Providing 411 Presubscription

- **Dedicated costs** – only those incremental costs of investments or expenses that are dedicated exclusively to enabling 411 presubscription
- **Joint Costs** – only the incremental portion of such costs associated with new investments or expenses that directly support the provision of 411 presubscription
- **Overhead Costs** – incremental portion of new overhead costs directly related to providing 411 presubscription

- Software
- SCPs
- STPs
- Query Costs
- SS7 and switch software upgrades
- AIN modifications
- OSS modifications

FCC Should Seek Comment on Possible Cost Recovery Mechanisms

- LNP Cost Recovery Approach
  - End-user charge
  - Per query charge
- Compare to other federally-mandated contributions that are recovered without a line-item on end-user bills

FCC Should Compare Costs of Implementing 411 Presubscription to Size of DA Market and Benefits of DA Competition

- Directory Assistance is a $4 Billion / year industry and is growing rapidly
- Consumers pay up to $400 Million / year to receive misinformation from incumbent DA providers
- Compare to estimated costs of $30 Million to $300 Million for network upgrades that would enable 411 presubscription
- Consider benefits DA competition would bring to consumers, including significantly higher service quality for all DA services (including international DA) and innovative new services

FCC Should Seek Comment on Logistics of Implementing 411 Presubscription

- Applicable to all ILECs
- Timetable – 6 months from date of final order for Tier 1 LECs.
- Consumer notification during ordering process and in billing inserts
- State Commissions to Continue Traditional Functions
  - Certifying Providers
  - Handling Consumer Complaints

Conclusion

- FCC can rely on proven methods to address 411 presubscription implementation issues